

# Europe IT & Technology Sectors

A Company and Industry Analysis

September 2009

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### Current Environment — Key Points

- Despite strong sales, consumer demand was not enough to prevent the region's IT market from slipping into decline this year. Individual consumer demand led much of the growth in Western Europe, along with that in the US, spurred by sales of netbooks and by declines in average selling prices.
- The economic downturn in 2008 greatly affected European IT companies' share prices, especially in the final quarter, when they were looking at double-digit percentage plunges.
- Six months into 2009, however, and with steps taken by both governments and companies to counter the poor economic situation, overall share prices, especially those of top European IT companies, saw a gradual rise, with a few looking at double-digit comebacks.

### Industry Profile — Key Points

- European and North American financial institutions spend an almost equal amount on IT globally. Firms in Europe and North America account for 37.7% and 33.5%, respectively, of the global IT investments by financial services institutions.
- However, unlike that of the private sector, investment in strengthening capacity to research, develop and market innovative ICT by the European Union (EU) is less than its competitors.
- Europe's investment in research is lagging behind other regions. Although the EU produces almost one third of the world's scientific knowledge, research in this sector accounts for only a quarter of its overall research effort.

### Market Trends and Outlook — Key Points

- Cloud computing is an attractive proposition for small to large-sized companies. It is not only a technology model that reduces energy consumption by improving IT resource utilization, but also requires fewer servers to handle equivalent workloads.
- Telemedicine is improving medical training and patient care across Europe, providing the ability to view new surgical techniques and collaborate internationally on diagnosis and to share skills and experience.
- Most western European countries have cut their ICT market forecasts for this year and next, even though recent GDP data reflects an increasingly stable macro-economic environment.
- Economic conditions are likely to recover later this year, especially with major European IT companies' stock prices recovering six months into 2009.



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# Current Environment



## Sector Overview

While the global economic downturn showed signs of easing towards the end of 2008, this year's IT budgets were still being cut, and consumers remained unlikely to spend unnecessarily. The good news for the industry is that utilization of ICT is already deeply embedded in many mission-critical operations and remains critical to achieving further efficiency and productivity gains, thus benefiting the computer software and services sector more than that of hardware. Western Europe and the US performed better thanks to gearing their channels much better to deal with the economic crisis.

Falling prices and companies delaying IT investments affected hardware sales, but software and IT services sales were projected to fall by a moderate 0.3% to €210.4 billion (US\$298.52 billion) in 2009. The EITO estimates that the amount of IT spending varies according to user segment, but while the manufacturing and automotive sectors, which suffered particularly badly from the economic crisis, bought less, the public sector and utilities spent more. Companies were more selective in their investment, but were interested more than ever in enhancing efficiency through new technologies. This is expected to lead to a 5% increase in sales of outsourcing services European-wide, to €65.8 billion (US\$93.36 billion) in 2010, with the overall IT market forecast to grow by 0.6% to €297.9 billion (US\$422.67 billion).

Among the largest EU countries, Spain recorded the sharpest fall in consumer electronics turnover thus far, with an estimated drop of 16% to €4.8 billion (US\$6.8 billion) in 2009. In Italy, the decline is likely to be 13% to €5.8 billion (US\$8.23 billion), and in France 12% to

€8.9 billion (US\$12.63 billion). The decline should be more moderate in the largest EU markets, Germany and the UK, with Germany likely to lose 7% of turnover to €12.5 billion (US\$17.74 billion), and the UK as little as 4%, to €12.4 billion (US\$17.59 billion).

Despite a relatively slow first quarter, new product introductions coming this fall, including low-cost, thin and light consumer portables, low-cost Intel Atom-based all-in-ones, and the launch of the Windows 7 operating system, should provide a spark that helps to ignite shipment growth over the next 12 months.

Although exposed to the effects of the economic crisis, the European high-tech industry was not hit as hard as many other sectors, as the IT and telecoms sector fared significantly better than the overall economy. In June 2009, the European Information Technology Observatory (EITO) estimated a 1.7% decline in sales of information and communications technology (ICT) products and services for all of 2009 to €716.6 billion (US\$ 1,016.74 billion). Next year, it estimates a slight rise of 0.3% to €718.6 billion (US\$1,019.58 billion), dragged down by a projected 6.6% fall in sales of IT hardware to €85.7 billion (US\$121.59 billion).

## Key Market Segments and Leading Companies

### Semiconductors

The global semiconductor industry went through one of the steepest corrections in its history. While it would be premature to conclude that sales had hit bottom, there

Table 1: European ICT Market Overview 2008 and 2009 (estimated)

European ICT Market	Market Volume (€ in Billions)			Growth Rate		
	2007	2008	2009 (estimated)	2007	2008	2009 (estimated)
Digital Consumer Electronics (CE)	61.2	62.7	58.6	12.7%	2.5%	-6.5%
Information Technology (IT)	299.8	311.1	296.0	5.1%	4.3%	-4.9%
Telecommunications	378.3	371.5	362.0	2.4%	2.0%	-2.6%
Total ICT and Digital CE	739.3	745.3	716.6	4.3%	3.0%	-3.85%

Source: European Information Technology Observatory

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were some indications that the rate of downturn had moderated from the final quarter of 2008. Worldwide sales of semiconductors totaled US\$44 billion in the first quarter of 2009, a decline of 29.9% compared with the same quarter of 2008, when sales were US\$52.2 billion, according to SIA. On a year-to-date basis, European semiconductor sales declined by 23.8% in the first six months of 2009 from the same period in 2008. European semiconductor sales in May amounted to €1.64 billion (US\$2.33 billion), down 1.6% on the previous month, and down 23.2% from the same month a year earlier.

The industry responded quickly to the changing market environment by curtailing production and reducing inventory as demand slowed in late 2008. Leading manufacturers already reported slight improvements in factory utilization rates, albeit at levels well below those of previous years. World Semiconductor Trade Statistics (WSTS) released on July 4, 2009, showed that the European market for semiconductors grew 0.4 % in May, following a 0.9% decline in April. The low-digit growth observed in May, compared with the previous month, was mainly due to optoelectronics, sensors and actuators, and analog products sales, which grew after two months of decline. Sales for DRAM also grew in May, following the growth trend already observed in the previous month.

### *Personal Computers*

Even so, the global PC market took one of its largest sales plunges ever in the first quarter of 2009. According to iSuppli, a global leader in technology value chain research and advisory services, total units shipped fell 8.1% year-over-year, and were down 14.1% from the final quarter of 2008, the largest dips in the seven years that iSuppli has tracked PC shipments. The leading category in the PC market was desktop sales, which was nevertheless down 23% year-over-year, as businesses and IT departments stretched the life of existing machines, with some using the machines of laid-off workers to replace malfunctioning PCs rather than buying new equipment.

PC sales were flat in Western Europe, where they grew by just 0.7% in first quarter 2009. The UK was the weakest of the major markets, while France and Germany saw low single-digit growth at 3.2% and 4.5% respectively, thanks to stronger sales from mini notebooks. If it had not been for mini notebooks, all of Western Europe would have seen a bigger decline in shipments. Sales of mini notebooks powered Acer's success, with its unit shipments growing

by 31.6% in Western Europe, increasing its lead over Dell (NASDAQ: DELL), sales of which were down 22.1%, and almost emulating Hewlett-Packard's (NYSE: HPQ) shipment growth of 32.8%.

Individual consumer demand also led much of the growth in Western Europe, along with that in the US, spurred by sales of netbooks and by declines in average selling prices. However, despite strong sales, higher consumer demand was not enough to prevent the region's overall IT market from slipping into a decline. IDC estimates that the overall PC market growth that Europe enjoyed in the fourth quarter of 2008 diminished coming into 2009, with a return in growth unlikely until the fourth quarter of this year, with double digit growth not expected until 2011.

### *Software and IT Services*

Spending in Europe's software, IT services and core communications-related services continued, although infrastructure investment was postponed virtually across the board. This, according to a recent European Commission report, is likely to continue to be the case for the rest of 2009, to the detriment of the manufacturing segments. Global market growth in IT services is likely to remain in positive territory, even if the rate drops from +9% in 2008 to +1% in 2009 and experiences a strong downward revision since June 2008. The combined expectations for software and IT services markets suggests that businesses will keep on spending to keep their information systems running, but may tend to postpone new projects. Nevertheless, greater pressure on profitability might push businesses to invest in solutions leading to better process efficiency.

A survey by Nippon Telegraph and Telephone (NTT) (LSE: NPN) Europe Online found that while cloud computing was not high priority demand remained strong for online software and service delivery among UK enterprises. Sixty-seven percent of Chief Information Officers and Chief Financial Officers in UK enterprises said they were either not planning to adopt cloud computing or were unsure of whether their company would embrace it over the next two years. According to NTT, decision makers at large UK companies clearly see the benefits of investing in online delivery of software and services; however, many remain unconvinced about taking the plunge with a cloud computing model in the next two years due to concerns that extra costs might be involved and hence stretch budgets.



# Current Environment

## Sector Performance

The economic downturn in 2008 greatly affected European IT companies' share prices, especially in the final quarter, when they were looking at double-digit percentage plunges. However, six months into 2009, and with steps taken by both governments and companies to counter the poor economic situation, overall share prices, especially those of top European IT companies, saw a gradual rise, with a few looking at double-digit comebacks.

The price of STMicroelectronics' (Euronext: STM) stock increased by 36.46% to US\$5.33 in the second quarter of 2009. Infineon Technologies (FSE: IFX), which supplies chips to mobile phone makers saw its share price rise by a staggering 211%, from US\$0.80, to US\$2.49, in Frankfurt by June 30, 2009. The stock was trading at all-time lows at the end of 2008, weighed down by fears that the chipmaker would desperately need to raise cash through an unpopular rights issue or costly re-financing. However, Infineon's shares gradually moved upwards after the start of the year, after getting permission from shareholders to raise up to €450 million (US\$638.48 million) as it grappled with the effects of the global financial crisis, giving a boost to its languishing shares. Three months into 2009, Infineon won an order to supply EDGE chipsets to the world's top mobile phone maker Nokia, giving Infineon a bigger market share and sending its shares higher.

The other top performers were Dimension Data (LSE: DDT) (41.67%), LogicaCMG (LSE: LOG) (22.01%),

Atos Origins (PAR: ATO) (21.10%), ASML Holdings (NASDAQ: ASML) (14.83%), Amdocs (NYSE: DOX) (14.64%), SAP AG (FSE: SAP) (6.00%) and Capgemini (PAR: CAP) (5.72%). The market capitalization of the ten major IT companies totaled US\$59.69 billion as of June 30, 2009.

## Mergers, Acquisitions and Alliances

The first six months of 2009 saw 1,472 mergers and acquisitions (M&As) valued at US\$171.1 billion across all industries, a drop of 66.1% by value and 53.6% by volume from the first half of 2008, which saw 3,175 deals worth US\$504.9 billion in Europe. European activity accounted for 24.2% of global M&A activity by value and 38.6% by number during the six months, compared with 40.3% and 43.8%, respectively, for the first half of last year. Consumer, industrial and chemicals, and telecom, media and technology (TMT) have dominated M&A activity so far, accounting for half the deals announced.

Germany's Software AG (FSE: SOW), a leading provider of middleware and service-oriented architecture (SOA) platforms, proposed to acquire IDS Scheer, a move that will bolster its business process management offering. The company announced on July 14 it would acquire 47.68% of Scheer's shares, gaining control of a business with deep vertical expertise in a number of industries, as well as a strong position in the SAP consulting business. The

Table 2: Stock Performances of Major European IT Companies

Company	Closing Share Price as of		Total Rise/Fall %	Market Cap June 30, 2009
	April 1, 2009	June 30, 2009		
SAP AG	US\$27.00	US\$28.62	6.00	US\$34.49 billion
Capgemini	US\$24.82	US\$26.24	5.72	US\$3.79 billion
Infineon Technologies AG	US\$0.80	US\$2.49	211.25	US\$2.02 billion
STMicroelectronics	US\$3.91	US\$5.33	36.32	US\$4.36 billion
Atos Origin	US\$19.95	US\$24.16	21.10	US\$1.73 billion
LogicaCMG Plc	US\$64.75	US\$79.00	22.01	US\$1.20 billion
ASML Holding NV	US\$13.42	US\$15.41	14.83	US\$6.51 billion
Computacenter Plc	US\$124.00	US\$205.00	65.32	US\$306.13 million
Dimension Data Holdings Plc	US\$42.00	US\$59.50	41.67	US\$929.44 million
Amdocs Ltd	US\$18.71	US\$21.45	14.64	US\$4.35 billion

Source: New York Stock Exchange, NASDAQ, London Stock Exchange, NYSE Euronext and Frankfurt Stock Exchange

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move is an interesting play for Software AG, which some observers see as a potential acquisition target for SAP, the largest software vendor in Germany, with Software AG occupying second place.

Announcing the deal, Software AG said that the €477 million (US\$676.79 million) acquisition was part of its growth strategy and should increase sales of the combined product offering and specialist expertise of IDS Scheer's consultancy business. It will apply the consulting expertise to customer-specific implementation of SOA and business process management (BPM) solutions, particularly in SAP environments. Software AG said it would retain IDS Scheer's workforce, giving the combined company more than 6,000 employees and US\$1.4 billion in revenues. The two companies in 2008 had combined sales of €1.1 billion (US\$1.56 billion).

Software AG also announced on July 14 the acquisition of Teconomic AG, a Swedish IT consulting services specialist, for an undisclosed amount. Teconomic provides services to several top Swiss financial institutions, focusing on SWIFT services. The financial services sector is traditionally Software AG's largest market, specifically for the optimization and integration of business processes using SOA. Through the acquisition, Software AG will be able to expand its presence in the market for SWIFT-related services. Teconomic currently provides software and consulting services to seven of the top ten Swiss financial institutions including UBS, Credit Suisse and Zurich Financial Services. Founded in 2002, the firm is a certified SwiftReady services and software partner. The acquisition, the financial terms of which were not disclosed, will strengthen its position in the global SWIFT market and expand its business in Switzerland.

(SWIFT is the Society for Worldwide Interbank Financial Telecommunication, a member-owned cooperative through which the financial world conducts business operations. Over 8,300 banking organizations, securities institutions and corporate customers in more than 208 countries go through SWIFT every day to exchange millions of standardized financial messages.)

After a five-year partnership, Eurocontrol, the European organization for the safety of air navigation, on July 8, once again entrusted the management of its IT activity to a consortium consisting of Siemens IT Solutions and Services, Getronics and BT Global Services, giving the consortium an outsourcing contract for ICT infrastructure

management of turnkey services. Eurocontrol says that outsourcing its IT services has resulted in a more cost-efficient service, with improved availability and stability and increased user satisfaction over the past five years, and that the new seven-year contract is worth €100 million (US\$141.88 million).

The consortium will be responsible for coordinating and providing IT services, operational management of the infrastructure and service desk, and the management of networks, servers, storage systems and business applications. Cronos International will be responsible for support and application maintenance within this project. The contract covers the IT activities of Eurocontrol business divisions' Management Information System (MIS) and Central Flow Management Unit (CFMU) based in Brussels, and the Eurocontrol Experimental Center based in Paris. The project aims to create synergies between the various sites to reduce IT service costs. Managing the IT base involves around 2,800 computers, more than 500 servers, 260 databases and 80 applications.

# Industry Profile



## Industry Overview

Global ICT spending is expected to total US\$3.2 trillion in 2009, down from US\$3.4 trillion last year. European and North American financial institutions spend an almost equal amount on IT, according to US-based research firm Gartner. Firms in Europe and North America account for 37.7% and 33.5%, respectively, of the global IT investments by financial services institutions. Europe and North America are also leading the pack in terms of internet penetration and usage.

By 2010, the internet is expected to overtake television, becoming the primary media in Europe as Europeans spend more time on the net than on television. This would be a significant milestone in the history of the internet going mainstream. The European Commission announced in April 2009 measures to facilitate economic recovery in the EU, which including a proposal to channel part of the unspent EU budget on broadband investment and the development of an EU broadband strategy in cooperation with member states and other relevant players. The EU had already approved a proposal for investment in broadband and launched the first of a set of actions aimed at opening a wide consultation on issues surrounding the development of the EU broadband strategy and the way this will fit into the future EU ICT policy framework after the current i2010 initiative. i2010 is the EU policy framework for the information society and media. It promotes the positive contribution that ICT can make to the economy, society and personal quality of life.

## Sector Investment

ICT generates 12 million jobs in Europe, representing 6% of EU GDP in 2008. The sector is driving innovation and competitiveness in all sectors of the economy, but there is a significant gap between what Europe produces and what it consumes in this knowledge-intensive field. Europe generates 34% of the global ICT market, and its value is growing by 4% per year. However, the value added produced by Europe's ICT sector amounts to only 23% of the total, because both Europe's market and research efforts are heavily fragmented, according to the EU.

Europe's investment in strengthening its capacity to research, develop and market innovative ICT is lower than

its key competitors, with public and private investment in ICT research in Europe less than half of the US, and the EU attracting five times less venture capital than the US. As a result, Europe is lagging behind its global competitors in ICT research and in the production of innovative ICT-based products and services.

However, making Europe the world leader in ICT is the goal of the new strategy proposed by the EC in March 2009. The proposed strategy calls on member states and industry to pool resources and work together in ICT research and innovation. The strategy also proposes ICT innovation projects to deliver modern services infrastructures in areas like healthcare and energy efficiency. ICT helps underpin the competitiveness of Europe's economy, the efficiency of Europe's public services and quality of life for decades to come.

A number of countries have made IT investment a major priority, including Ireland for example. Growing the level of R&D investment by new and existing multinationals is a key government priority. Intel confirmed early in 2009 that the chip giant would invest €50 million (US\$70.94 million) in R&D at its facility in the Shannon Free Zone over the next four years, thus creating 100 extra jobs. The investment will take place over four years and will involve two separate R&D projects.

Intel predicts there will be 15 billion connected devices by the year 2015, with the investment enabling Intel to deliver products that show a significant leap over competing products, providing an outstanding combination of performance, power efficiency, savings and cost-effectiveness. The leading edge 32-nanometer design capabilities being developed in Shannon are key to Intel supporting the growth in the market for embedded processors.

## Research and Development

Unlimited computing power, computers mimicking the brain, "smart" wheelchairs and friendly robotic companions are part of a new European plan to boost research, unveiled by the EC. With more investment and cooperation in new research on future information technologies, Europe is

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aiming to turn bright research ideas into future technologies. The EC has proposed boosting Europe's research into future technologies by doubling research investment at national and EU level in this area by 2015, increasing the current funding of €100 million (US\$141.88 million) per year by 70% by 2013.

The total investment in IT research in Europe is lagging behind other regions however. Although Europe produces almost one third of the world's scientific knowledge, research in the IT sector accounts for only a quarter of its overall research effort. The EC has thus called on member states to catch up with the US, China and Japan by doubling by 2015 their investment in high-risk research in ICT, by joining research efforts between national and European programs and by new flagship research initiatives that can drive large and sustained effort of several hundred millions euros.

For its part, in 2010, the EC plans to start boosting its spending on research for future information technologies from €100 million (US\$141.88 million) to €170 million (US\$241.2 million) by 2013. It also aims to launch at least two flagship research initiatives by 2013 that combine efforts across borders and scientific disciplines to achieve research breakthroughs, for instance on the development of bio-computers. The EC's proposed actions will also help talented young researchers engage in research and support research-intensive high-tech small and medium-sized enterprises (SMEs) that can turn early research results into new business opportunities.

On a different event, Ericsson (SE: ERIC B, NASDAQ: ERIC), one of the world's largest communications companies, announced on July 13 a massive investment plan in South Korea. The company plans to invest around US\$1.5 billion over the next five years to set up a research and development center in South Korea to promote joint research on fourth-generation telecommunications and green technology. The number of employees working for Ericsson in South Korea will be increased from the current 80 to 1,000.

### Policy and Regulatory Environment

The EC released a white paper on July 3, outlining reforms needed to improve the use of recognized standards in public procurement in the ICT sector across the EU. The proposed reforms will also give the EU greater input into international standard setting in the field of ICT. According

to the white paper, the landscape for ICT standardization has dramatically changed over the last decade. Alongside the traditional standard-setting organizations, specialized and mostly global fora and consortia have become more active, and several have emerged as world leading ICT standards development bodies, such as those responsible for the standards covering the internet and the World Wide Web. The EC believes decisive actions must be taken to avoid the EU failing to master the information society, and realizing a number of important European policy goals that require interoperability, such as e-health, accessibility, security, e-business, e-government and transport.

Some policy options that are suggested in the white paper include defining the attributes which make ICT standards eligible for association with EU legislation and policies. Ten such attributes are proposed based on the World Trade Organization (WTO) criteria for international standardization of organizations such as openness, treatment of intellectual property rights and consensus.



# Market Trends & Outlook



## Cloud Computing Gains Popularity

Cloud computing is an attractive proposition for small to large-sized companies. It is not only a greener technology model that reduces energy consumption by improving IT resource utilization, but also requires fewer servers to handle equivalent workloads. The need for cloud computing is being fueled by the dramatic growth in business collaboration, connected devices, real-time data streams and Web 2.0 applications such as streaming media and entertainment, social networking and mobile commerce. Some organizations are now exploring Twitter or Facebook-like applications that allow individuals to push information out and create a simpler, organic communications structure. Others are using Web 2.0 tools to handle everything from asset management to business intelligence and analytics.

For example, IBM Idea Factory, one of IBM's Dublin center's first offerings to clients, uses Web 2.0 technology to allow communities of business professionals to be assembled into social networks to facilitate the development of new business ideas. IBM's cloud computing captures business processes — from their beginnings as ideas to commercialization — speeding up brainstorming among employees, partners, software developers and other third party participants. The center serves as a European hub to provide research and services to a number of satellite facilities to be built in Europe, the Middle East and Africa. IBM experts will work directly with clients in the region, helping them adopt cloud computing solutions that spur technology research and business development.

Likewise, and responding to market demand, Intel is moving fast to build integrated cloud computing operations, announcing on April 24 that, with the support of IDA Ireland, it would open a cloud computing center at the IBM Innovation Campus at Mulhuddart, West Dublin. The center, which will focus on innovation and research activities, will employ 21 people, nine of whom will focus on cloud computing research.

IBM's High Performance on Demand Solutions Lab will also work with IDA Ireland on the center, using IBM's Blue Cloud technologies, a series of cloud computing offerings based on industry open standards and open source software.

IBM Tivoli systems management software will manage the cloud computing environment. As part of its ongoing educational initiatives, IBM will also facilitate cloud computing training for lecturers at the Dublin Institute of Technology's School of Computing. The training will help the school foster new skills that meet the needs of this emerging computing model.

Cloud computing environments will contribute to the expansion of SaaS (software-as-a-service) into areas beyond ERP (enterprise resource planning), CRM (customer relationship management), SCM (supply chain management) and HRM (human resources management) systems. Organizations are increasingly seeing the benefits of moving large-scale software expenses from the capital budget to the operating budget. Industry observers estimate that 50% to 60% of all servers are virtualized. The goal is to reduce server inefficiencies and costs. Cloud computing is now moving into the realm of SMBs (small, medium businesses), and into storage and on to desktop computers.

(Server virtualization is the masking of server resources, including the number and identity of individual physical servers, processors, and operating systems, from server users. The server administrator uses a software application to divide one physical server into multiple isolated virtual environments.)

## European Healthcare Sectors Boost Uptake of IT

IT investment in the Western European healthcare sector is forecast to grow from US\$12 billion in 2009 to US\$14.4 billion in 2012, according to IDC Europe. In addition to the various economic recovery plans outlined by western European governments, the modernization and the rationalization of healthcare systems is seen as a driver of growth and necessary for the long-term sustainability of public health systems. IT investment is seen as a fundamental part of these modernization strategies.

For example, a new telemedicine system unveiled on June 10 across the GÉANT academic network and various national research networks could improve healthcare across Europe. Three widely separated hospitals across

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Europe were linked for the first time using an advanced video conferencing system, enabling the sharing of high quality, real-time video images of surgery for training and diagnosis.

The demonstration at the TERENA Network Conference (TNC) linked St Olav's University Hospital in Norway, through the Norwegian UNINETT network, the Monaldi Hospital in Italy, via the Italian GARR network, and the Hospital Clinica Barcelona, through the Spanish RedIRIS network. Personnel at each hospital were able to provide tours of surgical operating facilities or show how endoscopic surgery can be transmitted for training purposes across the high-speed GÉANT network, operated by research networking organization DANTE. The GÉANT and national research and education networks (NRENs) provided high image quality, transmitted at 30 Mbps using digital video transport system (DVTS) equipment that runs from a standard PC, an improvement on older technology that provided poor image quality and needed expensive equipment.

Telemedicine undoubtedly improves medical training and patient care across Europe, providing the ability to view new surgical techniques and collaborate internationally on diagnosis and to share skills and experience. The success of this demonstration showed how high speed networking can underpin telemedicine across Europe and the world, enhancing healthcare for all. More than 100 hospitals across the world have expressed interest in becoming involved in telemedicine for surgical training. As technology evolves, the TEMDEC project is looking to move from DVTS video to high definition (HD) pictures to enhance quality.

DANTE (Delivery of Advanced Network Technology to Europe) plans, builds and operates advanced networks for research and education. It is owned by European NRENs (national research and education networks), and works in partnership with them and in cooperation with the EC. DANTE provides the data communications infrastructure essential to the development of the global research community.

(GÉANT is the high-bandwidth, academic internet serving Europe's research and education community. Through NRENs, GÉANT connects and reaches over 30 million researchers with a multi-domain topology spanning 32 European countries and links to a number of other world regions.)

### More Industries Embrace Radio Frequency Identification

The worldwide market value for Radio Frequency Identification (RFID) tags, estimated at about €4 billion (US\$5.68 billion) in 2008, is likely to grow to about €20 billion (US\$28.38 billion) by 2018, according to the EC. There are already more than six billion smart chips, microelectronic devices that can be integrated into a variety of everyday objects from fridges to bus passes. With RFID tags, these objects can process data automatically when brought close to readers that activate them, pick up their radio signal and exchange data.

One industry relatively new to embracing RFID is the healthcare industry. There is potential for economic benefits and improving the delivery of care when RFID applications are adopted in a healthcare setting. RFID-style devices have a potentially big role to play in healthcare, where they are being used to track patients or valuable items of equipment. Some healthcare providers are using them to track drugs, blood products, and even surgical swabs, offering significant benefits to patient safety. RFID offers benefits in providing a better operational overview of medical assets, tracking patients and improving the automatic collection of data and its transfer to back office mechanisms.

(RFID is an automatic identification and data capture method (AIDC), which not only helps to identify, but also to collect, data attributes of an object or person, including localization and environmental measurements, when integrated with sensor networks. The development of RFID technology is one of the most interesting innovations for the improvement of business process efficiency across the manufacturing, transportation and logistics, wholesale distribution and retail trade sectors.)

### Green ICT for More Sustainable Development

In 2008, Europe's leaders endorsed an ambitious plan to cut greenhouse gas emissions by 20% of 1990 levels by 2020. In the plan, the EC assigned a significant role to ICT, considered key to improving energy efficiency and reducing carbon emissions. The initial focus was on promoting the use of smart ICT to increase the energy efficiency of buildings, lighting and power grids. At the same time, the EC made it clear that the ICT industry should lead by example in the drive towards CO<sub>2</sub> reductions, significantly cutting its own emissions.

## Market Trends & Outlook

Many major companies have already announced commitments to cut their emissions significantly. BT Group (LSE: BT.A) aims to reduce its carbon footprint by 80% of 1996 levels by 2016. The British giant is working towards this target by increasing its reliance on teleworking and by improving the flexibility of employee working hours, which will cut costs and energy consumption. Vodafone (LSE: VOD) plans to halve its CO<sub>2</sub> emissions by 2020, while Intel (NASDAQ: INTC) has announced plans to cut its carbon footprint by 20% by 2012. Handset makers, by contrast, are lagging behind, with Motorola (NYSE: MOT) and Nokia (NYSE: NOK) committed to only 6% reductions by 2012 and 2010 respectively.

Siemens (NYSE: SI) has launched a consulting practice in the UK to help IT departments green the rest of their companies, using skills from other Siemens subsidiaries in building, heat and lighting. The move comes as Siemens is expanding globally into renewable energy to become a green giant and environmental leader. The company made €17 billion (US\$24.12 billion) globally in 2008, with about a quarter of its sales coming from its integrated environmental portfolio. The company's renewable energy division grew by 65% in the first quarter of this year compared with the first quarter of 2008. Siemens has orders for 500 offshore wind turbines from Denmark's Dong Energy, and 88 wind turbines to be installed by Norway's StatoilHydro and Statkraft utilities at Britain's Sheringham Shoal offshore wind farm. The company has also bought a stake in Italy's Archimede Solar Energy and, as it supplies steam turbines for solar thermal plants, plans to boost the efficiency of such plants.

ICT companies plan to offset their green investments through savings, with some growing revenues resulting from smart technologies. One of the EC measures proposed is to further the use of smart meters to make people more aware of their energy consumption and carbon footprint. This would reduce energy consumption by 10%, the energy consumption of buildings by 17% and the carbon emissions of transport logistics by 27%, according to EC estimates.

### Market Outlook

Latest official GDP growth forecasts in Europe show a decline of 4% for the first half of 2009 as of June 2009, more than the 2.5% slump predicted in March 2009. Most western European countries have already cut their ICT market forecasts for this year and next, even though recent

GDP data reflects an increasingly stable macro-economic environment. The European ICT market is expected to further decline this year as the regional economy shrinks and more companies rethink their priorities, tighten spending and look into projects that will provide quicker returns on investment. Most are expected to put on hold large new IT projects and continue to consider outsourcing to lower cost structures.

The environment could change towards the end of the year, however, with recent OECD figures suggesting a return to stability. This may particularly be likely with major public IT companies' stock prices rebounding in the first part of 2009. ICT firms that acted promptly this year to cut their cost bases and adopt a more global and industrialized approach to their businesses are likely to benefit from a recovery at the expense of less adaptive rivals when market conditions improve.

In the semiconductor segment, the SIA annual mid-year forecast in June projected worldwide sales of US\$195.6 billion for 2009, a decline of 21.3% from US\$248.6 billion in 2008. The SIA projects that semiconductor sales will begin to rebound in 2010, with year-on-year growth of 6.5% to US\$208.3 billion, followed by 6.5% growth in 2011 to US\$221.9 billion. The European market for digital consumer electronics is also likely to shrink by 8.2% on a sales volume of €58.5 billion (US\$83 billion) in 2009 after several high-growth years. EITO sees falling spending on flat screen televisions as a primary driver of the overall market downturn. Even as the number of flat screen televisions sold in the EU reaches a new high at approximately 42 million units this year, EITO predicts that eroding prices will drive sales revenues down by 10.3% to €26.3 billion (US\$37.32 billion). Sales of digital cameras, MP3 players and navigation devices are also depressed, but sales of Blu-ray players, digital set-top TV boxes and games consoles are rising.

# Country Profile

## France



### Industry Overview

The French ICT market, the third largest in Europe in terms of revenues, accounted for 16% of the total EU ICT market in 2008. The market was worth an estimated €111.9 billion (US\$158.77 billion) and, despite a fall of 1.2% from 2008 values, EITO estimates that it will rebound, growing by 0.4% to an estimated €112.3 billion (US\$159.34 billion) next year.

Table 3: French ICT Market by Segment 2009 (estimated)

	2009	
	Market Share	Market Value (€ billions)
Digital Consumer Electronics (CE)	7.5%	8.4
Information Technology (IT)	42.7%	47.7
Telecommunications	49.8%	55.7
<b>Total ICT</b>	<b>100</b>	<b>111.9</b>

Source: European Information Technology Observatory

The need for continuous internet access helped sustain the consumer market, with consistent sales of consumer electronics, including smart phones, laptops and game consoles. The French software and IT market remained focused on embedded software and less on SaaS, as was the case last year. French companies used more ERP, CRM and SCM applications, a sign of a sophisticated data management process.

Internet service providers, on the other hand, increasingly offered their packaged services at accessible prices, especially mobile data services. EITO believes this segment of the ICT market was the least affected by the economic slowdown, with an estimated 10% growth forecast for 2009, albeit less than the 18.1% growth enjoyed in 2008. Mobile data services are likely to grow by 11.6% this year.

### Leading Companies

Atos Origin, a leading IT services company, announced 2009 first quarter revenue of €1.29 billion (US\$1.84

billion), a slight organic decrease of 0.6% at the same scope and exchange rates. This was in line with the annual objective of the group, which estimated a slight drop in revenue compared with 2008. In France alone, revenue totaled €395 million (US\$560.44 million), up 1.9%. Both Managed Services and Atos Worldline divisions reported revenue growth of 9.8% in managed operations activities. This was achieved due to the ramp up of some contracts in the energy and telecommunication sectors, and increases for Atos Worldline in the finance and public sectors.

In the first six months of 2009, the group implemented strong measures to address the deterioration in the economic environment to control its cost base and to improve its operational profitability. The implementation of the Total Operational Performance (TOP) Program contributed directly to the improvement of operating efficiency and margins. As a result, the group recorded revenue of €2.59 billion (US\$3.67 billion), with a €118 million (US\$167.42 million) operating margin in the first half of 2009.

On May 5, 2009, Atos Origin announced the acquisition of Shanghai Covics Business Solutions Ltd (Shanghai Covics), a leading Chinese SAP consultancy and SAP system integration services provider. It was Atos Origin's first acquisition in China and in the Asia-Pacific. Through the acquisition, the company, which delivered the IT systems for the Beijing 2008 Olympic Games, will reinforce its capability through the full SAP cycle of consulting, implementation, maintenance and hosting in China, notably in Beijing, Shanghai and Guangzhou. In addition, it will be able to double the number of its local experienced SAP consultants. Wholly owned by Atos Origin but retaining its name, Shanghai Covics will continue its usual business while Atos Origin reviews its operations and synergies during the transition period.

Another major French IT service company, Capgemini, had first quarter 2009 revenue of €2.21 billion (US\$3.14 billion), an increase of 0.9% from the same quarter of 2008. Bookings for the quarter totaled €2.22 billion (US\$3.15 billion), compared with €2.17 billion (US\$3.08 billion) in the third quarter of 2008. Although bookings weakened by 9% on average for the group's other three disciplines (consulting, technology and local professional services)

## Country Profile - France

due to a wait-and-see approach to new project launches among clients, the book-to-bill ratio for these businesses remained in positive territory at 1.04.

Groupe Steria's (PAR: RIA) consolidated revenue for the first quarter of 2009 retreated by 1.9% to €396.5 million (US\$562.57 million) year-on-year. The company's 2008 annual results, however, showed revenue of €1.77 billion (US\$2.51 billion), an increase of 0.9% compared with 2007, with net attributable profit increasing to €51.6 million (US\$73.21 million). The group had good cash flow in the 2008 financial year, with operating free cash flow rising to €99.8 million (US\$141.6 million), compared with €85.8 million (US\$121.74 million) in 2007, thanks to efficient management and working capital requirements. Its net financial debt was significantly lower at €235.3 million (US\$333.85 million) in fiscal 2008, compared with €306.9 million (US\$435.44 million) for the previous year and €340 million (US\$482.41 million) as of June 30, 2008.

### Market Outlook

The 2008 global financial crisis that continued into 2009 had a major impact on most industries in France, including ICT — a development set to have an effect on the industry for the next year at least. Although some major IT firms made profits in fiscal 2008, the situation in 2009 is different, with many companies going into the red in the first six months of 2009. The effects of the credit crunch became obvious, leading to a weaker economy, strains on government finances and lower corporate and individual spending trends. It is likely to take some time before balance sheets turn around again, despite spending picking up. The French Government forecasts the overall economy could deteriorate further due to the global financial crisis, leading to forecasts for economic growth for this year changing from 0.5% to a negative 3%. As a result, the French ICT industry is likely to reduce its 2009 expectations, with chances of a full recovery this year unlikely.



# Country Profile

## Germany



### Industry Overview

Germany's ICT industry performance improved gradually this year. Germany is the global market leader in per capita revenue in business-to-consumer e-commerce, ahead of the US, according to the Monitoring Information and Communication Economics 2009 study commissioned by the German Federal Ministry of Economics and Technology.

German's ICT market was worth an estimated €138.7 billion (US\$196.79 billion) in 2008, with the sector accounting for one fourth of total R&D spending, with innovation one of the motors of the industry. Germany's ICT infrastructure indicators, which cover infrastructure put into place and ICT readiness, increased by 9% over the previous year, a significantly improvement, with the number of ICT patent applications leading the EU, further driving sector innovation.

The German Federal Government published plans in February this year to ensure that all German households have broadband access by the end of 2010. Phase one of its broadband strategy involves encouraging operators to deploy wireless and mobile broadband services in rural areas currently without broadband coverage via DSL or cable. According to the Monitoring Information and Communication Economics 2009 study, around 730,000 households in 600 regions connect to the internet via satellite. The second phase to ensure that 75% of German households have access to a broadband connection of at least 50Mbps by 2014. To achieve this, the Government plans to speed up digital dividend auctions, push operators to seek synergy via joint infrastructure deployments, ensure growth and innovation-oriented regulation, and provide operators with the necessary financial support.

For the rest of 2009 and 2010, the Government plans to open up all existing networks from federal, state, and local governments for third parties to use, and plans to auction digital dividend frequencies in the 790-862MHz band. German ICT industry organization Bitkom believes the strategy will stimulate investment of up to €50 billion (US\$70.94 billion), and should create around 250,000 jobs.

### Leading Companies

SAP (FSE: SAP), a leading global provider of business software, offering applications and services, reported first half 2009 revenue of €4.97 billion (US\$7.05 billion), a drop of 6% compared with €5.32 billion (US\$7.55 billion) in the same period of 2008. Its net profit for the six months also took a tumble, falling 4% to €627 million (US\$889.61 million), from €650 million (US\$922.25 million). Despite ending 2008 positively with higher revenues and net profit, the difficult operating environment worldwide, due to the continued global economic downturn, resulted in poor figures compared with those in the same six months of 2008, before the start of the economic crisis that disrupted the global markets. The company expects restructuring charges for 2009 of €200 million (US\$283.77 million) after announcing a global reduction of positions to 48,500 at the end of 2009. The restructuring charge of €165 million (US\$234.12 million) recorded in operating income as of June 30, 2009, covers the reduction of 2,800 positions.

Software AG (FSE: SOW) is the world's largest independent provider of business infrastructure software. Despite the slowing economy, it posted revenues of €176.4 million (US\$250.28 million) in the second quarter of 2009, an increase of 5% from €168.8 million (US\$239.5 million) in the same quarter of 2008. Its net profit picked up by 7%, from €27.1 million (US\$38.45 million) to €28.9 million (US\$41 million), in the second quarter, with free cash flow up 30% to €29.8 million (US\$42.28 million). In the second quarter of 2009, Software AG continued its stable performance, despite the persistently difficult economic environment. Unlike many of its competitors, the company maintained solid growth, due to its robust business model and broad global presence.

### Market Outlook

The German ICT market's slow growth is strongly connected to the GDP trend, which directly affects consumer demand. Exports play an important role in the German economy, with 27% of ICT sales generated from exports. While estimates show that the ICT industry as a whole is suffering due to the economic crisis, Germany's ICT sector is well positioned to withstand the downturn and even continue growing. A number of robust industry

## Country Profile - Germany

segments, including some of Germany's innovation leaders — greentech, embedded systems, RFID technology, and mobile applications — will help sustain German ICT growth.

# Country Profile

## Italy



### Industry Overview

The Italian Statistics Agency estimates that Italy recorded a 1% decline in GDP in 2008, followed by a 2.4% decline in the first quarter of 2009, the fourth straight quarterly GDP decrease. As in the rest of Europe, investment in server infrastructure in Italy slowed since the fourth quarter of 2008, and into 2009, due to the credit crisis and low business confidence spreading across all verticals.

Despite the poor run in GDP, Italy registered reasonable performances in terms of business data services use and business spending on computer services, hardware and software. However, PC penetration in Italy remained low, as was the penetration rate of secure servers, suggesting that Italian-based e-commerce is not as well developed as it is in other nations, with a far lower proportion of enterprises buying and selling through the internet. According to the European Commission, some 49.6% of Italian families owned a PC as of June 2009, up from 45.3% last year, with 43.1% connected to the internet, up from 38.7%, with 75% of active connections being broadband. Despite the increase, the level is among the lowest in the EU.

The Italian broadband market has strong competition in the DSL and vibrant fiber sectors. In the absence of effective cross-platform competition from cable networks, DSL has benefited from the market entry of new players such as Vodafone Group Plc. Several operators have invested in ADSL2+ and VDSL infrastructure, propelling the market for high bandwidth triple play services, while Telecom Italia's (ITL: TIT) newly created open access division has aimed to improve competitor access to networks. Regulatory measures have also been taken to address competitor access to NGNs (next generation networks).

### Leading Companies

Gruppo Engineering (ITL: ENG) is the largest Italian IT software and services company. Its 2009 first quarter revenue rose by 16.4% year-on-year to €168.5 million (US\$239.07 million). Its EBITA for the first three months grew by 66% to €13.6 million (US\$19.3 million) year-on-year. However, the group's net financial position saw a loss of €45.8 million (US\$64.98 million) due to the market crisis causing a slowdown in proceeds collection. However, the negative net financial position was not as bad as it first

appeared, taking into consideration financial commitments for reorganization plans, extraordinary investments for the launch of new products, and the €4 million (US\$5.68 million) acquisition of A&B SpA, an IT solutions provider that specializes in providing IT solutions to Italian municipalities for taxation system management. Prior to the acquisition, A&B SpA was owned by B.E.E. TEAM SpA (ITL: BET), an Italy-based company engaged in the provision of operations outsourcing and technical services, providing services ranging from document management outsourcing and back office administration to business process outsourcing.

### Market Outlook

Italy's economic recession is likely to continue for much of 2009, due to lower demand and tighter lending conditions resulting from the global financial crisis, according to the OECD. Italy has the highest debt in Europe compared to the size of its economy, limiting the Government's ability to cut taxes and increase spending in a bid to lift the economy in the current weak economic conditions.

According to the latest EC forecast, Italy's GDP will fall by 4.4% this year, while the Bank of Italy expects it to fall by around 5%. The bank also forecasts Italy's budget deficit will swell to more than 4.5% of GDP this year, as the economic downturn further hits tax revenue. Negative trends in the ICT market are likely to continue well into 2010, with some positive signs from the small but growing HPC (high-performance computing) and HVB (high-value blade) server market.

# Country Profile

## The Netherlands



### Industry Overview

The Dutch ICT industry slowed in 2008, and the slowdown continued into 2009. The unemployment rate rose dramatically, but new orders in manufacturing, as well as exports and bankruptcy figures were less subdued than anticipated. There were already signs at the half-year mark, typically from benchmark Dutch AEX indexes, indicating potential recovery of the ICT market.

Plus, the €6 billion (US\$8.5 billion) stimulus package proposal on March 25, 2009, equivalent to about 1% of Netherlands's GDP for 2009 and 2010 to be injected over six years into companies, together with high e-readiness and well-laid ICT infrastructures, the Government is optimistic about the ICT market improving in 2010, especially through the software & IT services market segment.

The Netherlands is the sixth largest European country in terms of its ICT market, accounting for around 5% of the total EU ICT market with an estimated market value of €35.8 billion (US\$50.8 million) in 2008. It outsources its ICT activities, mainly to India and Eastern Europe, with the hardware market mostly concentrated in Eindhoven and Venlo. Its software market is one of the fastest growing in the sector, focusing on standard and business applications, as well as standard products and networking software.

With 13.8 million users, the Netherlands is ninth in terms of internet penetration among the ten European leaders.

The 2000-2008 period saw a rapid increase of 253.6% in growth of internet use, with the Dutch more likely to use online banking services than other Europeans, according to a new report conducted by the Dutch Government. The report, which was released on April 28, 2009, found that 52% of Dutch people had online bank accounts, with Rabobank being the most popular Dutch internet bank.

From January to July 2009, the AEX Technology Index, a sectoral market capitalization weighted index, listed on Euronext Amsterdam that covers all Dutch companies that qualify for the technology sector, bounced up 24.31%, due to the positive performance of the AEX Tech sub index, despite the general economy suffering from the global economic downturn. The other two sub-indices — the AEX Software and Computer Services Index and AEX Tech Hardware and Equipment Index — experienced 20.96% and 25.29% increases, respectively over the first half of 2009.

### Leading Companies

STMicroelectronics recorded net revenues of US\$3.65 billion for the first half of 2009, a decline of 25% from the same period of 2008, due to weakening industry conditions causing significant lower volumes and operating inefficiencies. Its net loss totaled US\$860 million in the first half of 2009, or US\$0.98 per share, compared with

Table 4: Performance of the Benchmark Dutch AEX Technology Index as of June 30, 2009

	Closing Value as of June 30, 2009	% Change since January 2, 2009	No. of Constituents as of June 30, 2009
AEX Technology	577.22	24.31%	20

Source: NYSE Euronext

Table 5: Performance of the Benchmark Dutch AEX Sub-Indexes as of June 30, 2009

	Closing Value as of June 30, 2009	% Change since January 2, 2009	No. of Constituents as of June 30, 2009
AEX Software and Computer Services	404.54	20.96%	13
AEX Tech. Hardware and Equipment	665.42	25.29%	7

Source: NYSE Euronext

## Country Profile - The Netherlands

a net loss of US\$131 million, or US\$0.15 per share in the first half of 2008. The decline was due partially to the company's loss on equity investments amounting to US\$49 million, including a non-cash charge of \$37 million that was STMicroelectronics' proportional share of the loss reported by Numonyx. Numonyx is a joint venture of Intel and STMicroelectronics, which makes flash memory devices for mobile phones, digital still cameras, MP3 players and PCs. As of June 27, 2009, Numonyx held approximately US\$480 million in cash.

ASML Holding NV reported 2009 first half net sales of €460.23 million (US\$652.99 million), a drop of 73.9% from €1.76 billion (US\$2.5 billion) in the same period a year earlier. Its net income amounted to a loss of €221.14 million (US\$313.76 million), a huge contrast with €337.1 million (US\$478.29 million) of net income in the first half of 2008. ASML is trying to improve its cost structure to limit the need for cost increases when sales volume recovers, and is still investing in R&D projects to develop breakthrough products to secure potential sales when the economy recovers. Despite suffering a first half net loss, due to many of its customers freezing capital purchases, the company secured net bookings for the second quarter worth €394 million (US\$559.02 million), with 15 systems, including 11 new and four used systems, leading to an order backlog of €1.06 billion (US\$1.5 billion) as of June 28, 2009.

### Market Outlook

From the fourth quarter 2008 onwards the level of activity in Netherland's ICT markets declined rapidly and into the first quarter of 2009. Virtually all sectors in which ICT operates were affected as a result of lower productivity and significant pricing pressures. However, the proposed stimulus packages by the Dutch Government to revive the economy will help the ICT industry to recover as all other projects incorporate ICT. This should in turn underpin ongoing ICT related businesses.



# Country Profile

## Sweden



### Industry Overview

Along with the measures presented in the 2009 budget, the Swedish Government announced its decision to allocate SEK45 billion (US\$6.27 billion) in 2009 and SEK60 billion (US\$8.37 billion) in 2010 to combat the economic crisis. Despite these measures, the impact of the crisis remained apparent in the second quarter of 2009, with Sweden's GDP down by 6.2%, compared with the second quarter of 2008.

Sweden topped the list as the most advanced ICT nation in northern Europe, according to a new UN ranking of 154 countries released in March 2009. Swedish people, businesses and public authorities are among the world's most advanced users of new technology and among the quickest when it comes to adopting new applications and services. Sweden ranked second in the World Economic Forum's Global Information Technology Report 2008-2009, which focused on the ability of individuals, businesses and governments to capitalize on information technology for innovation and societal development.

Swedes are among the keenest users of the internet for doing their shopping too. According to an EU survey published in March, 53% of Swedes ordered goods or services for private use over the internet in 2008, the fourth highest figure in the EU after Denmark, the UK and the Netherlands. The most popular purchases via the net were holiday and travel accommodation, clothing and sports goods. Swedish online retail websites were the second most popular among domestic users, with 61% of Swedes purchasing goods and services from Swedish websites in 2008, just one percentage point behind the Netherlands.

The prices of Swedish tech stocks, after significant declines in the second half of 2008, took a turn for the better in early 2009. The OMX Stockholm Information Technology Index

PI increased by 23.22% in the first half of 2009 to 156.22 points, from 126.78 points on January 2, 2009. The OMX Stockholm IT Services PI also rose, by 21.7%, to close at 90.39 on June 30, 2009, from 74.27 six months earlier.

### Leading Companies

Sigma AB (SE: SIGMB), a leading supplier of solutions in IT, management and information logistics in Sweden, reported revenue for the first half of 2009 totaling SEK611 million (US\$85.18 million), a decrease of 20.46% from the same period of 2008. Its net profit for the six months was SEK20.7 million (US\$2.89 million), a 57.97% decrease from SEK32.7 million (US\$4.56 million) in the first half of last year. Sigma's subsidiary group Sigma Kudos, a supplier of information logistics solutions and product information, signed a framework agreement on consulting in service and after-market information with Volvo Car Customer Service on July 2, 2009. The framework agreement entailed an expansion of Sigma Kudos' service and after-market deliveries to Volvo Car Corporation, and is part of a long-term strategy to make Sigma the leading supplier in the service and after-market field. At a time when the automotive industry is drastically reducing the number of IT consultants, the deal boosts Sigma's client base and most importantly secured future revenues.

### Market Outlook

Growth in the Swedish ICT industry is likely to remain stagnant at best this year, as companies reduce operating costs and freeze unnecessary ICT investments and projects, with less foreign investment in the ICT sector. Unemployment in the sector is also likely to rise, starting with the 1,000 employees and consultants who are expected

Table 6: Performance of the Benchmark Swedish Tech Indexes as of June 30, 2009

	Closing Value as of June 20, 2009	% Change since January 2, 2009	No. of Constituents as of June 30, 2009
OMX Stockholm Information Technology PI	156.22	23.22%	51
OMX Stockholm IT Services PI	90.39	21.7%	17

Source: OMX Nordic Exchange

## Country Profile - Sweden

to be laid off by Ericsson's Kista office, as it seeks to reduce its annual costs by SEK10 billion (US\$1.39 billion) between now and July 2010.

# Country Profile

## United Kingdom



### Industry Overview

The UK economy contracted by 3.2% in the first six months of 2009, with its GDP down 0.8% in the second quarter, compared with a drop of 2.4% in the first quarter. The UK IT and high-tech industry started to wobble in the second half of 2008, when the sector suffered consistent declines. However, in 2009 the situation started to recover gradually when both the government and private sectors implemented measures such as stimulus packages and cost-cutting strategies to improve the economy. The measures worked to some degree, with company stock prices rebounding somewhat. In the six months ended June 30, 2009, the benchmark FTSE techMARK 100 increased by 7.37% to close at 1,341 points on June 30, 2009.

Regardless of the poor economic conditions, the number of internet subscribers rose. The percentage of users on broadband in the UK rose to 95.1% in December 2008, according to National Statistics. More than 19 of 20 connections to the internet were via broadband in the UK, leading to National Statistics discontinuing its quarterly reporting of broadband growth, as the UK's broadband penetration is so high.

### Leading Companies

Logica, a leading European IT and business services company, announced revenues of £954 million (US\$1.59 billion) in the first quarter of 2009, an increase of 11% from £856 million (US\$1.43 billion) a year earlier. First quarter orders increased 16% over 2008, with two major outsourcing deals driving book-to-bill to 122%. Figures on operating profits and net profits, however, are yet to be released. Logica and Sony Ericsson signed a five-year agreement on June 24 for Logica to expand its support for Sony Ericsson's product lifecycle management (PLM) systems, covering basic and supplemental services. The deal with Sony Ericsson will secure ongoing business and revenues over the next few years, at a time when other

customers are looking to reduce costs in the challenging economic environment.

Computacenter Plc, Europe's leading IT infrastructure services provider, reported annual revenues of £2.56 billion (US\$4.27 billion) in 2008, an increase of 7.6% compared with £2.38 billion (US\$3.97 billion). The company's gross profit was up 1%, from £42.7 million (US\$71.29 million) in 2007 to £43.1 million (US\$71.95 million) in 2008. Dimension Data Holdings Plc, a UK specialist IT services and solutions provider, saw revenues for the six months ended March 31, 2009, increase by 8.1% to US\$1.95 billion, with operating profit up by 37.4% to US\$88.8 million. The overall performance of IT firms was encouraging, with positive results despite weaker market conditions. However, with the recession likely to continue for the rest of 2009, and maybe into 2010, conservative approaches to cost cutting and expanding business reach became top priorities for most IT firms seeking to minimize the impact of the downturn.

### Market Outlook

While the pace of decline in GDP slowed, the economy still suffered, and this is likely to continue until the end of 2009, with no realistic likelihood of an economic recovery before then. However, the EITO has forecast that the UK's mobile revenues will increase by 3.8% to €26.4 billion (US\$37.46 billion) in 2009, with mobile data services turnover expected to rise by 9.8% to about €7.1 billion (US\$10.07 billion). EITO also estimates that the mini-notebook segment could drive growth, due to mini-notebooks' flexibility, connectivity and mobility.

ICT firms are expected to continue to try hard to cope with the economic conditions that affect the markets in which they operate. Reducing business costs and increasing competitiveness are ways companies seek to sustain profits

Table 7: Performance of FTSE techMARK Indexes from January 2 to June 30, 2009

	Closing Value as of June 30, 2009	% Change since January 2, 2009	No. of Constituents
FTSE techMARK 100	1,341	7.37%	76

Source: London Stock Exchange

## Country Profile - United Kingdom

and deal with the current business environment. The ICT market in the UK will remain challenging, and business viability will be uncertain, at least until the end of 2009. However, there are already some signs of stabilization, with major UK ICT firms still seeing some growing revenues and profits.

# Currency Conversion Table

Currency exchange rates as of August 8, 2009

Currency Unit	Units per US\$	US\$ per Unit
British Pound (£)	0.59900	1.66945
Euro (€)	0.70480	1.41884
Swedish Krona (SEK)	7.17540	0.139423

Note: With the exception of the British pound and the euro, where buying rates were originally quoted in US dollar per foreign currency unit, the Federal Reserve Bank of New York quotes other buying rates as foreign currency unit per US dollar.

Source: Federal Reserve Bank of New York



## The Scope Of This Report

This report looks at the information technology industries in Europe, with a special focus on France, Germany, Italy, the Netherlands, Sweden and the United Kingdom. A number of industry segments are examined, namely: IT services; computer hardware and equipment; software and; semiconductors. This report aims to paint a picture of the current environment and industry development in a number of industry segments using available data and an examination of key public companies in each segment whose core service fall into the above categories.

Research analysts draw on a range of credible industry and company data sources as well as news and information services to research and analyze the current trading environment, industry landscape and market trends and outlook for a particular sector. Primary sources are used, unless otherwise indicated, and include company data, e.g. annual reports and company financial results; macroeconomic and trade data; data and information from global and country regulatory, industry and trade bodies; government data; and reports from industry organizations and private research organizations.

Industries covered by the industry reports are defined by standard industry classification systems and leading companies identified on this basis. The following SIC codes are relevant to the industry: 3674 (Semiconductors and Related Services); 5045 (Computers, Peripherals and Software); 7371 (Computer Programming Services); 7372 (Prepackaged Software); 7373 (Computer Integrated System Design); 7374 (Data Processing and Preparation); 7375 (Information Retrieval Services); 7376 (Computer Facilities Management); 7378 (Computer Maintenance and Repair); 7379 (Computer Related Services).

## Key References

### Global

#### **Organization for Economic Cooperation and Development (OECD)**

An international organization that helps governments tackle the economic, social and governance challenges of the global economy.

<http://www.oecd.org>

#### **Semiconductor Equipment and Materials Institute (SEMI)**

SEMI is a global industry association serving companies that develop and provide manufacturing technology, materials and services to make semiconductors, flat panel displays (FPDs), micro-electromechanical systems (MEMS) and related microelectronics.

<http://www.semi.org>

#### **Semiconductor Industry Association (SIA)**

The SIA represents the US semiconductor industry. It also conducts research and publishes statistics and forecasts.

<http://www.sia-online.org>

#### **World Semiconductor Trade Statistics (WSTS)**

WSTS is an independent non-profit organization representing around 90% of the world's semiconductor industry. It also collects data and publishes forecasts on semiconductor trade.

<http://www.wsts.org>

#### **World Information Technology Services Alliance (WITSA)**

WITSA is a consortium of information industry, software and IT associations around the world. The alliance also conducts research and publishes forecasts on the IT industry globally.

<http://www.witsa.org>

### Europe

#### **Europa**

Europa is an online gateway to information on the EU and publishes information such as press releases, legislation, and fact sheets released by the EU and its institutions.

<http://europa.eu>

#### **European Electronic Component Manufacturers Association (EECA)**

The EECA was set up to promote the interests of the European electronic components industry in the global marketplace. Under it are four autonomous industry associations, namely the European Semiconductor Industry Association (ESIA), European Display Industry Association (EDIA), European Passive Components Industry Association (EPCIA), and European Packaging and Interconnection Industry Association (EPIA). Its members come from the manufacturing and related industries as well as from national associations.

<http://www.eeca.org>

#### **European Information Technology Observatory (EITO)**

EITO is an international analysis and research source that publishes overviews of trends in the digital economy in Europe.

<http://www.eito.com>

### **European Private Equity and Venture Capital Association (EVCA)**

The EVCA represents the European private equity sector with more than 900 members throughout Europe. EVCA's activities cover the whole range of private equity, venture capital (from seed and start-up to development capital), buy-outs and buy-ins.

<http://www.evca.com>

### **i2010 – A European Information Society for growth and employment**

The i2010 initiative was launched on June 1, 2005, as a framework for addressing the main challenges and developments in the information society and media sectors up to 2010. It promotes an open and competitive digital economy and emphasizes ICT as a driver of inclusion and quality of life. The initiative contains a range of EU policy instruments to encourage the development of the digital economy such as regulatory instruments, research and partnerships with stakeholders.

[http://ec.europa.eu/information\\_society/eeurope/i2010/index\\_en.htm](http://ec.europa.eu/information_society/eeurope/i2010/index_en.htm)

### **Networked European Software and Services Initiative (NESSI)**

Launched in September 2005 as a European Technology Platform founded by 13 of Europe's largest ICT companies, NESSI aims to create a unified strategy to influence investment in European research to encourage the development of software and service-oriented architecture.

<http://www.nessi-europe.com>

### **INNO-Policy TrendChart**

The INNO-Policy TrendChart describes and analyzes major innovation policy trends at national and regional levels across Europe.

<http://www.proinno-europe.eu/trendchart>

## **France**

### **The National Institute for Statistics and Economic Studies (INSEE)**

The National Institute for Statistics and Economic Studies (Institut National de la Statistique et des Études Économiques: INSEE) is a French government agency entrusted with collecting and producing information on the French economy and society.

<http://www.insee.fr>

### **Syntec Informatique**

Syntec Informatique is the association that represents the French software industry.

<http://www.syntec-informatique.fr>

## **Germany**

### **Federal Ministry of Economics and Technology (FMET)**

The German federal ministry that overlooks economic, technology, energy and foreign trade policy.

<http://www.bmwi.de/English/Navigation/root.html>

### **Federal Ministry of Education and Research**

A German federal ministry that oversees, formulates and coordinates national strategies, legislation and policies governing and supporting domestic education and research.

<http://www.bmbf.de/en/index.php>

### **Federal Statistical Office Germany**

The Federal Statistical Office collects, analyzes and publishes official statistical information on Germany.

<http://www.destatis.de/jetspeed/portal/cms/>

**German Association for Information Technology, Telecommunications and New Media e.V. (BITKOM)**

BITKOM is an association that represents the information, communications and media industry in Germany.  
<http://www.bitkom.org>

**Zentralverband Elektrotechnik- und Elektronikindustrie e.V. (ZVEI)**

ZVEI, the German Electrical and Electronic Manufacturers' Association, represents the industry's economic, technological and environmental policy interests at national, European and international levels.  
<http://www.zvei.org/index.php>

## Italy

**AITech-Assinform**

AITech-Assinform is an ICT association that represents the interests of the information, telecommunication and content industry in Italy.  
<http://www.assinform.it>

**Federazione Nazionale Imprese Elettrotechniche Ed Elettroniche (ANIE)**

ANIE is an Italian federation representing electronics manufacturing and electrical engineering companies.  
<http://www.anie.it/>

**Minister for Innovation and Technologies (MIT)**

The official website of the Italian Ministry for Innovation and Technologies.  
<http://www.innovazione.gov.it>

## Netherlands

**ICT~Office**

A Dutch ICT association that claims to represent more than 80% of the total IT, telecommunications, office technology and internet market in the Netherlands, with turnover of €30 billion and well over 225,000 employees in 2005.  
<http://www.ictoffice.nl>

**Statistics Netherlands (CBS)**

CBS gathers and publishes official statistical information on the Netherlands.  
<http://www.cbs.nl>

**Ministry of Economic Affairs**

This is the official website for the Dutch Ministry of Economic Affairs which aims to stimulate sustainable national economic growth.  
<http://minez.nl>

**Netherlands Foreign Investment Agency (NFIA)**

The NFIA is an agency within the Dutch Ministry of Economic Affairs that provides investor information and insight on businesses in the Netherlands.  
<http://usa.nfia.nl>

## Sweden

**Invest in Sweden Agency (ISA)**

ISA is the government agency tasked with assisting and informing foreign investors about business opportunities in Sweden.  
<http://www.isa.se/>

**Ministry of Enterprise, Energy and Communications**

The Ministry of Enterprise, Energy and Communications is responsible for handling government business in the areas of business development, competition, electronic communications, energy, forestry, IT, postal communications and cashier services, primary industries, regional development, R&D, state-owned companies, tourism and transport.

<http://www.sweden.gov.se/sb/d/2067>

**National Institute of Economic Research (NIER)**

The NIER is the Swedish government agency that performs analyses and makes forecasts on the Swedish and international economy and conducts related research.

<http://www.konj.se>

**Statistics Sweden (SCB)**

The SCB is Sweden's central government statistical authority.

<http://www.scb.se>

**United Kingdom****Department for Business, Enterprise and Regulatory Reform (BERR)**

BERR helms efforts to boost UK productivity levels by creating conditions for business success through competitive and flexible markets that lead to value for businesses, consumers and employees.

<http://www.berr.gov.uk>

**Department for Innovation, Universities and Skills (DIUS)**

DIUS is responsible for overseeing the development of a skilled workforce and business community in Britain and positioning the country as a world-class base for science, research and innovation.

<http://www.dius.gov.uk>

**Intellect**

Intellect is the trade body for the UK-based information technology, telecommunications and electronics industry.

<http://www.intellectuk.org>

**Office of National Statistics (ONS)**

The ONS is the national statistics agency for the UK.

<http://www.statistics.gov.uk>

**UK Trade & Investment**

UK Trade & Investment is a UK government organization that provides support to UK companies doing business abroad and overseas businesses seeking to set up or expand in the UK.

<http://www.uktradeinvest.gov.uk>



Company Name	Country Code	Ticker	Exchange	Primary SIC	Other SICs				
SAP AG	Germany	SAP	FSE	7372	7371	7379			
Capgemini	France	CAP	PAR	7374	8748	7373	7371	7376	8742
STMicroelectronics NV	Netherlands	STM	Euronext	3674	3672	3679			
Atos Origin	France	ATO	PAR	7371	7389	8742			
Infineon Technologies AG	Germany	IFX	FSE	3651	3669	3679			
LogicaCMG Plc	United Kingdom	LOG	LSE	7371	7372	7373	7376	7379	
Dimension Data Holdings Plc	United Kingdom	DDT	LSE	7373	7376	7379	6719		
ASML Holding NV	Netherlands	ASML	Euronext	3559	6719				
Computacenter Plc	United Kingdom	CCC	LSE	7376	7371	5045	6719		
Amdocs Ltd	United Kingdom	DOX	NYS	7371	7372	7379	4813	7389	

Company Name	Total Revenue - FYE - 1	Total Revenue - FYE - 2	Total Revenue - FYE - 3	EBITDA - FYE - 1	EBITDA - FYE - 2	EBITDA - FYE - 3
SAP AG	\$16,212,265,756	\$15,114,531,575	\$12,394,518,596	\$4,492,067,081	\$4,344,085,017	\$3,829,329,603
Capgemini	\$12,177,374,503	\$12,807,104,303	\$10,160,523,069	\$1,087,714,967	\$1,003,813,137	\$624,146,417
STMicroelectronics NV	\$9,842,000,000	\$10,001,000,000	\$9,854,000,000	\$510,000,000	\$854,000,000	\$2,455,000,000
Atos Origin	\$7,862,165,961	\$8,616,651,561	\$7,123,397,965	N/A	N/A	N/A
Infineon Technologies AG	\$6,181,780,521	\$5,798,958,066	\$5,219,398,442	\$706,734,454	\$969,339,824	\$718,079,611
LogicaCMG Plc	\$5,228,796,319	\$6,156,663,495	\$4,741,914,631	\$332,847,569	\$474,591,169	\$422,731,101
Dimension Data Holdings Plc	\$4,547,535,000	\$3,800,298,000	\$3,103,347,000	\$269,819,000	\$227,488,000	\$142,631,000
ASML Holding NV	\$4,129,511,271	\$5,545,161,246	\$4,726,326,971	N/A	N/A	N/A
Computacenter Plc	\$3,730,887,532	\$4,766,227,563	\$4,446,518,051	\$115,217,139	\$140,257,817	\$87,700,053
Amdocs Ltd	\$3,162,096,000	\$2,836,173,000	\$2,480,050,000	\$610,488,000	\$572,993,000	\$491,773,000

Company Name	Net Income - FYE - 1	Net Income - FYE - 2	Net Income - FYE - 3	EPS - FYE - 1	EPS - FYE - 2	EPS - FYE - 3
SAP AG	\$2,582,274,478	\$2,804,819,120	\$2,482,070,635	\$2.17	\$2.33	\$2.02
Capgemini	\$630,539,139	\$647,492,347	\$386,627,696	\$4.39	\$4.47	\$2.92
STMicroelectronics NV	-\$786,000,000	-\$477,000,000	\$782,000,000	-\$0.88	-\$0.53	\$0.87
Atos Origin	\$31,596,862	\$70,929,843	-\$348,983,013	\$0.45	\$1.03	-\$5.16
Infineon Technologies AG	-\$193,135,934	-\$102,485,268	-\$317,172,973	-\$5.95	-\$0.70	-\$0.46
LogicaCMG Plc	\$56,397,552	\$340,367,411	\$160,629,983	\$0.04	\$0.23	\$0.13
Dimension Data Holdings Plc	\$118,410,000	\$92,528,000	\$40,602,000	\$0.08	\$0.06	\$0.03
ASML Holding NV	\$450,702,666	\$987,427,300	\$816,204,055	\$1.05	\$2.13	\$1.72
Computacenter Plc	\$54,411,251	\$57,872,477	\$37,076,143	\$0.36	\$0.37	\$0.22
Amdocs Ltd	\$378,906,000	\$364,937,000	\$318,636,000	\$1.83	\$1.76	\$1.57

Company Name	Total Current Assets - FYE - 1	Total Current Assets - FYE - 2	Total Current Assets - FYE - 3	Long-Term Debt - FYE - 1	Long-Term Debt - FYE - 2	Long-Term Debt - FYE - 3
SAP AG	\$7,788,766,172	\$9,100,210,618	\$8,344,824,401	\$55,923,649	\$8,829,441	\$0
Capgemini	\$6,273,235,292	\$7,260,743,724	\$6,833,941,425	\$1,379,916,031	\$1,558,396,353	\$1,530,676,203
STMicroelectronics NV	\$5,501,000,000	\$7,662,000,000	\$6,586,000,000	\$2,554,000,000	\$2,117,000,000	\$1,994,000,000
Atos Origin	\$2,667,418,234	\$2,941,675,457	\$3,072,739,992	\$438,301,597	\$652,937,169	\$777,688,318
Infineon Technologies AG	\$6,828,428,240	\$12,086,144,561	\$7,207,438,636	\$1,503,599,011	\$1,635,494,064	\$1,532,579,805
LogicaCMG Plc	\$2,200,524,649	\$2,347,513,434	\$2,510,529,099	\$807,781,995	\$550,317,409	\$977,296,323
Dimension Data Holdings Plc	\$1,927,931,000	\$1,655,409,000	\$1,303,771,000	\$155,624,000	\$172,903,000	\$147,321,000
ASML Holding NV	\$4,156,873,314	\$4,892,606,687	\$4,520,823,134	\$904,634,922	\$885,910,801	\$503,319,324
Computacenter Plc	\$1,146,039,067	\$1,312,752,430	\$1,273,938,765	\$60,928,301	\$69,419,726	\$22,257,047
Amdocs Ltd	\$2,005,587,000	\$1,869,496,000	\$1,638,706,000	\$450,000,000	\$450,000,000	\$450,000,000

Company Name	Return on Equity (Most Recent Yr)	Profit Margin (Most Recent Yr)	Date FYE - 1	Date FYE - 2	Date FYE - 3
SAP AG	25.72	15.93	31-Dec-2008	31-Dec-2007	31-Dec-2006
Capgemini	11.45	5.18	31-Dec-2008	31-Dec-2007	31-Dec-2006
STMicroelectronics NV	-9.64	-7.99	31-Dec-2008	31-Dec-2007	31-Dec-2006
Atos Origin	1.32	N/A	31-Dec-2008	31-Dec-2007	31-Dec-2006
Infineon Technologies AG	-7.65	-3.12	30-Sep-2008	30-Sep-2007	30-Sep-2006
LogicaCMG Plc	1.90	1.08	31-Dec-2008	31-Dec-2007	31-Dec-2006
Dimension Data Holdings Plc	16.67	2.60	30-Sep-2008	30-Sep-2007	30-Sep-2006
ASML Holding NV	16.21	10.91	31-Dec-2008	31-Dec-2007	31-Dec-2006
Computacenter Plc	11.62	1.46	31-Dec-2008	31-Dec-2007	31-Dec-2006
Amdocs Ltd	13.51	11.98	30-Sep-2008	30-Sep-2007	30-Sep-2006

## Notes to Comparative Data

- All figures are in United States dollars.
- All figures are as reported by the company.

- N/A = Data Not Available.
- Companies ranked by total revenue for the full year most recently reported.

## Definitions

- Total Revenue = All revenues, including net sales, operating revenues, interest income, royalties, excise taxes etc.
- EBITDA = Earnings before interest, taxes, depreciation and amortization.
- EPS Cont Operations = Earnings Per Share as reported by company excluding extraordinary items.
- Total Current Assets = All assets expected to be realized within the next year, includes cash, accounts receivable and inventories.
- Long Term Debt = Debt due to be paid at a date more than one year in the future.
- Return on Equity = The company's earnings divided by its equity (book value).
- Profit Margin = The company's net income as a percent of revenues.



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- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Electricity
- Food & Beverage
- Healthcare
- Heavy Construction
- Hospitality & Tourism
- Insurance
- IT & Technology
- Media
- Medical Instruments & Equipment
- Metal Works
- Mining
- Oil & Gas
- Pharmaceuticals
- Precious Metals
- Property & Development
- Retailing
- Telecommunications

#### Europe

- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Food & Beverage
- Insurance
- IT & Technology
- Media
- Oil & Gas
- Pharmaceuticals
- Property & Development
- Telecommunications

#### Asia-Pacific

- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Food & Beverage
- Heavy Construction
- Insurance
- IT & Technology
- Media
- Oil & Gas
- Pharmaceuticals
- Property & Development
- Telecommunications

#### Latin America

- Automotive
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- Chemicals
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